

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SP-03

STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 XMB-07

OPIC-12 NSC-07 SS-20 H-03 L-03 PA-04 PRS-01 USIA-15

AGR-20 DRC-01 /189 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6714

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

C O N F I D E N T I A L EC BRUSSELS 2198

PASS TREASURY, FRB AND CEA

E.O. 11652: GDS

TAGS: EFIN, EEC

SUBJECT: EC MONETARY COMMITTEE DISCUSSION
OF CONCERTED EC FLOATING, APRIL 4

1. SUMMARY: ON THE INITIATIVE OF THE EC COMMISSION,
THE MONETARY COMMITTEE DISCUSSED IN BROAD TERMS THE
IDEA OF A VERY INFORMAL CONCERTED EC FLOAT WITH
UNSPECIFIED TARGET EXCHANGE RATES VIS-A-VIS THE
DOLLAR. END SUMMARY.

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2. CONCERTED EC FLOATING. ONE OF OUR CONTACTS HAS TOLD US THE MONETARY COMMITTEE HELD AN INFORMAL DISCUSSION APRIL 4 ON CONCERTED FLOATING OF EC CURRENCIES. THE DISCUSSION WAS LEAD BY A COMMISSION REPRESENTATIVE AND EVOKED CONSIDERABLE INTEREST, ALTHOUGH THE COMMISSION PRESENTED NO SPECIFIC PROPOSALS. THE IDEA PUT FORTH BY THE COMMISSION REPRESENTATIVES WAS A LOOSE, INFORMAL ARRANGEMENT BASED ON UNSPECIFIED AND ADJUSTABLE TARGET RATES FOR EC CURRENCIES VIS-A-VIS THE DOLLAR. THE PURPOSE WOULD BE TO ENABLE THE EC CURRENCIES TO MAINTAIN A CERTAIN RELATIONSHIP WITH EACH OTHER. IT WAS NOTED THAT, IN FACT, EC CURRENCIES IN RECENT WEEKS HAVE BEHAVED AS THOUGH SUCH A CONCERTED FLOAT EXISTED. THE FRENCH FRANC, WITH SOME INTERVENTION, HAS BEEN FAIRLY STABLE WITH A DEVIATION FROM THE MINI-SNAKE OF AROUND SIX PERCENT. CONSIDERABLE EMPHASIS WAS PLACED ON AVOIDING AN ARRANGEMENT THAT, IN PRACTICE, MIGHT ENCOURAGE SPECULATION.

3. ACCORDING TO OUR SOURCES, THE MEMBERS OF THE COMMITTEE WILL CONSULT WITH THEIR GOVERNMENTS AND BE PREPARED TO CONTINUE THE DISCUSSION AT THE NEXT MEETING OF THE COMMITTEE NOW SCHEDULED FOR MAY 15. OUR CONTACT ALSO THOUGHT THE SUBJECT MIGHT COME UP AT THE MEETING OF EC FINANCE MINISTERS IN THE NETHERLANDS APRIL 22.

4. THE COMMISSION'S INITIATIVE IN RAISING THE IDEA OF A CONCERTED EC FLOAT PROBABLY REVEALS CONCERN WITHIN THE COMMISSION OVER THE EXTRA-COMMUNITY CHARACTER OF THE MINI-SNAKE. NEITHER THE COMMISSION NOR THE NON-PARTICIPATING MEMBER STATES HAVE BEEN INVOLVED IN THE OPERATIONS OF THE MINI-SNAKE. THE FUNCTIONING OF THE MINI-SNAKE, MOREOVER, HAS BEEN DISCUSSED AT THE LEVEL OF FINANCE MINISTERS, WHICH HAS TENDED TO GIVE IT ADDED IMPORTANCE. THE OLD LARGER SNAKE WAS GENERALLY HANDLED AT A LOWER LEVEL. WE UNDERSTAND BOTH THE COMMISSION AND NON-PARTICIPATING MEMBER STATES INTEND TO URGE MINI-SNAKE COUNTRIES TO ACCEPT CLOSER CONTACTS IN THIS AREA WITH THEIR PARTNERS AND THE COMMISSION. IT IS THOUGHT THAT THE BENELUX COUNTRIES AND DENMARK MIGHT WELCOME SUCH PARTICIPATION BUT THAT SCHMIDT WILL OPPOSE IT. HE IS REPORTED TO CONFIDENTIAL

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BE PLEASED WITH THE WAY THE MINI-SNAKE HAS BEEN MANAGED SO FAR AND ANXIOUS TO AVOID ANY RETURN TO MORE CUMBERSOME OR FORMALIZED ARRANGEMENTS SUCH AS PREVAILED IN THE PAST.

5. THERE ARE A FEW OFFICIALS IN THE COMMISSION WHO HAVE DOUBTS ABOUT THE DESIRABILITY OF EVEN A VERY LOOSE, CONCERTED EC FLOAT. THEY FEAR IT MIGHT SERVE AS A PRETEXT TO THE MEMBER STATES TO REFRAIN FROM TAKING

OTHER ACTIONS IN THE AREA OF EC MONETARY INTEGRATION
ON THE GROUNDS THAT COMMUNITY-WIDE COOPERATION IN
MONETARY AFFAIRS ALREADY EXISTS. MYERSON

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